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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 AS-01 /091 W
---------- 047561
R 171854Z NOV 75
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4451
INFO AMEMBASSY BUCHAREST
USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 18769

E.O. 11652: GDS
TAGS: EEWT, GW, RO
SUBJECT: FRG CREDITS FOR ROMANIA

1. IN A DISCUSSION COVERING A NUMBER OF EAST/WEST ECONOMIC TOPICS, FONMIN SOURCE GAVE EMBOFF A RUNDOWN ON QUESTION OF CREDITS AND/OR DEBT RELIEF FOR ROMANIA. "DIE WELT" HAD REPORTED SEVERAL WEEKS AGO THAT THE FRG WOULD GRANT THE ROMANIANS A $400 MILLION CREDIT WITH TERMS SIMILAR TO THE RECENT POLISH AGREEMENT. AFTER A DENIAL OF SUCH INTENTIONS BY THE FRG PRESS SPOKESMAN, ARTICLES SURFACED IN THE PRESS LAST WEEK INDICATING THAT THE FEDERAL REPUBLIC WOULD CONSIDER RESCHEDULING OF RELATIVELY LARGE COMMERCIAL DEBTS COMING DUE NEXT MONTH. FONMIN SOURCE PROVIDED THE FOLLOWING BACKGROUND ON THE ISSUE.

2. AFTER THE HEAVY FLOODING IN ROMANIA THIS PAST SUMMER, THE GOR BEGAN PRESSING THE FRG FOR RELIEF FROM COMMERCIAL CREDIT DEBTS OR FOR OFFICIAL CREDITS AT CONCESSIONAL TERMS. FRG WAS NOT ENTHUSED ABOUT GRANTING RELIEF BUT FELT SOMEWHAT OBLIGATED BY
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CHANCELLOR SCHMIDT'S REMARKS TO CEAUSESCU IN

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HELSINKI THAT THE FRG WOULD LOOK INTO THE CREDIT/TRADE IMBALANCE SITUATION. SINCE HELSINKI, THE ROMANIANS HAVE KEPT PRESSING THE GERMANS FOR A MEETING OF "EXPERTS" TO DISCUSS THIS PROBLEM. THE FRG HAS ATTEMPTED TO AVOID RESPONDING TO THE ROMANIANS BUT WILL BE CONFRONTED WITH THE MATTER WHEN FOREIGN MINISTER GENSCHER VISITS BUCHAREST ON DEC. 4 AND 5. RELUCTANT TO HAVE GENSCHER GO INTO THE DISCUSSIONS EMPTY-HANDED, MFA OFFICIALS HAVE BEEN TRYING TO OBTAIN AGREEMENT BY FINANCE AND ECONOMICS MINISTRIES TO INCREASE PRESENT DM 200 MILLION DANNUAL CEILING ON NEW HERMES COVER FOR ROMANIAN CREDITS OR TO PROVIDE SOME FORM OF OFFICIAL CREDITS. THIS PROPOSAL WAS REJECTED, HOWEVER, BY HIGHER LEVELS OF THE FINANCE MINISTRY AND WOULD NOW HAVE TO BE TAKEN TO THE CABINET IF THE FRG WISHES TO EXTEND SOME RELIEF. WHILE TIMING IS LIKELY TO BE A LIMITING FACTOR DUE TO THE DIFFICULTY OF SCHEDULING CABINET CONSIDERATION S PRIOR TO DEC. 4, OUR SOURCE BELIEVES THAT CABINET WOULD NOT ACT FAVORABLY ANYWAY DUE TO APEL'S OPPOSITION IN PRINCIPLE TO DEBT RELIEF FOR THE EAST BLOC STATES.

3. AN ECONMIN OFFICIAL TOLD US THAT FRG WOULD HAVE TO REFUSE ANY ROMANIAN REQUEST FOR CONCESSIONARY LOANS. CONCESSIONARY LOANS CAN ONLY BE MADE UNDER FRG DEVELOPMENT ASSISTANCE PROGRAM TO LDC RECIPIENTS, AND FRG DOES NOT BELIEVE THAT ROMANIA QUALIFIES FOR LDC STATUS. FURTHERMORE, NO MEANS EXIST FOR SUBSIDIZING THE INTEREST PAID ON COMMERCIAL CREDITS. THUS, THERE ARE NO FORMS OF CONCESSIONARY CREDITS AVAILABLE FROM FRG. OUR SOURCE POINTED OUT THAT DM200 MILLION LIMIT ON HERMES GUARANTEES HAS NOT YET

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AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 AS-01 /091 W
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R 171854Z NOV 75
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TO SECSTATE WASHDC 4452
INFO AMEMBASSY BUCHAREST
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C O N F I D E N T I A L SECTION 02 OF 02 BONN 18769

BEEN REACHED THIS YEAR, SO A LIMITED AMOUNT OF GUARANTEED COMMERCIAL CREDITS COULD STILL BE OFFERED. HE DOUBTED THAT THIS DM 200 MILLION LIMIT WOULD BE RAISED. HE ALSO TOLD US THAT DEBT RESCHEDULING IS MOST UNLIKELY. HE EXPLAINED THAT ROMANIANS HAD INDICATED THEY WOULD LIKE BILATERAL NEGOTIATIONS TO RESCHEDULE DEBTS. GERMANS HAD REPLIED THAT THEY WOULD ONLY CONSIDER A MULTILATERAL EXERCISE. THIS THE ROMANIANS HAD REFUSED ON THE GROUNDS THAT IT WOULD BE POLITICALLY UNFEASIBLE.

4. OUR MFA SOURCE CONFIRMED THE ACCURACY OF PRESS ACCOUNTS ON THE AMOUNT OF CREDIT REPAYMENTS DUE THIS YEAR (DM 52 MILLION), BUT ADDED THAT THE ROMANIANS HAVE ALREADY MADE ARRANGEMENTS TO PAY HALF THIS AMOUNT BEFORE THE END OF NOVEMBER. HE DID NOT BELIEVE THAT THE GOR WILL DEFAULT ON THE REMAINING AMOUNT. WITH A TRADE TURNOVER OF OVER DM 2 BILLION, DM 26 MILLION IS AN INSIGNIFICANT AMOUNT, AND THE REPERCUSSIONS FROM A DEFAULT, IN HIS VIEW, CLEARLY CONFIDENTIAL

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OUTWEIGH THE SHORT-RUN FINANCIAL ADVANTAGE.

5. THIRD MIXED COMMISSION MEETING IN BUCHAREST: OUR SOURCE PARTICIPATED IN THE MIXED COMMISSION MEETINGS OCT. 23-26, BUT CONFESSED THAT LITTLE HEADWAY WAS MADE ON THE PROBLEM OF ROMANIA'S TRADE DEFICIT WITH WEST GERMANY, WHICH IS RUNNING AT A HIGHER LEVEL THAN THE RECORD-SETTING DEFICIT OF 1974. ALTHOUGH THE ROMANIANS PROPOSED COOPERATION WITH GERMAN FIRMS IN LARGE PROJECTS IN THE CHEMICAL AND INFRASTRUCTURE SECTORS, THE GENERAL DEVELOPMENT OF INDUSTRIAL COOPERATION IS PROCEEDING AT A SNAIL'S PACE AND IS UNLIKELY TO OFFER SHORT- AND MEDIUM-TERM

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RELIEF FOR THE BALANCE OF TRADE PROBLEM. IN A SIMILAR VEIN, THE GERMANS WERE UNWILLING TO CONSIDER ROMANIA'S REQUEST FOR GREATER ACCESS OF AGRICULTURAL AND TEXTILE PRODUCTS INTO THE GERMAN MARKET. IN ITS NOW FAMILIAR POSITION, THE FRG REFERRED THE ROMANIANS TO BRUSSELS ON THIS MATTER.
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